

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 IO-10 AF-06 ARA-06 EA-06

NEA-09 RSC-01 OIC-02 SSO-00 NSCE-00 INRE-00 USIE-00

AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-01

INR-07 INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 PRS-01 SP-02

OMB-01 /120 W

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O 101119Z JAN 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 7140

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FOR PILKAUSKAS, EB/TRP

E.O. 11652: N/A

TAGS: OCON, ETRG, ICO

SUBJ: COFFEE: MEETING OF ICO EXECUTIVE BOARD TO  
CONSIDER INDICATOR PRICE SYSTEM

REF: (A) LONDON 235, (B) LONDON 16556

1. SUMMARY. INTERNATIONAL COFFEE ORGANIZATION  
EXECUTIVE BOARD (EB) MET JANUARY 7 TO CONSIDER  
COMMITTEE REPORT ON QUESTION OF IMPROVING PRESENT  
INDICATOR PRICE SYSTEM. IN ACRIMONIOUS SESSION, LATIN  
AMERICAN MEMBERS SUGGESTED US USING DELAYING TACTICS,  
THEREBY QUESTIONING MOTIVE BEHIND USDEL REFUSAL TO  
EXAMINE ISSUE WITHOUT PRESENCE OF TECHNICAL ADVISERS.  
BRAZIL REVERSED PREVIOUS POSITION TO LEAD ATTACK, FINALLY  
TIPPING HAND THAT ITS REAL AIM WAS TO ESTABLISH INFORMAL,  
"PARALLEL" INDICATOR PRICE SYSTEM USING BROADER SAMPLING  
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BASE AS TEST OF PRESENT SYSTEM. USDEL REPEATED

COMMITMENT TO THOROUGH GOING EXAMINATION WHEN ADVISERS PRESENT. THIS NOW SCHEDULED TAKE PLACE JANUARY 27-28. LATEST SERIES OF MEETING ON ISSUE UNDERLINES POINT THAT USDEL MUST BE IN POSITION AT NEXT MEETING TO RESPOND IN DEPTH ON TECHNICAL QUESTIONS AND TO TAKE REASONED DECISIONS. END SUMMARY.

2. AS NOTED IN REF (A), THE INTERNATIONAL COFFEE ORGANIZATION (ICO) EXECUTIVE BOARD MET JANUARY 7, 1975, PRIMARILY TO CONSIDER THE REPORT ON IMPROVEMENTS TO THE PRESENT COFFEE INDICATOR PRICE SYSTEM, REF (B), BY THE ICO STATISTICS WORKING GROUP. OTHER ITEMS ON AGENDA WERE ROUTINE, E.G., DISTRIBUTION OF VOTES AND SECRETARIAT TRAVEL. OAMCAF REP (N'DI--NOT N'DIA) CHAIRED IN ABSENCE OF EB CHAIRMAN FALLA CACERES, TURNING IN A HIGHLY CREDITABLE PERFORMANCE IN LONG AND DIFFICULT SESSION.

3. DISCUSSION OF INDICATOR PRICES WAS MUCH MORE DETAILED AND ACRIMONIOUS THAN ANTICIPATED BY EITHER THE SECRETARIAT OR USDEL. RATHER THAN ROUTINE REFERRAL BY EB OF MATTER TO SUB-GROUP ON PRICES OF NEW WORKING GROUP ON NEGOTIATIONS, LATIN AMERICAN GROUP, LED BY BRAZIL, MAINTAINED THAT IT WANTED IMMEDIATE DECISION ON MATTER. BRAZIL IN REVERSAL OF POSITION TAKEN DURING PREVIOUS MEETING, MAINTAINED THAT STATISTIC WORKING GROUP RECOMMENDATION (WHICH HAD BEEN A BRAZILIAN PROPOSAL) HAD BEEN MISINTERPRETED, AND BRAZIL HAD ALWAYS WANTED IMMEDIATE DECISION ON IMPROVING INDICATOR PRICE SYSTEM FOR EXISTING INTERNATIONAL COFFEE AGREEMENT (ICA), BUT STUDY BY THE SUB-GROUP ON PRICES WAS DESIRED IN CONTEXT OF ANY NEW ICA. LATIN GROUP UNANIMOUSLY CONDEMNED "DELAYING TACTICS," WITH SALVADOR (CASTRO) OPENLY QUESTIONING US MOTIVES. THESIS DEVELOPED WAS THAT US CONTENTION IT NEEDED TECHNICAL ADVISERS WAS NOTHING BUT DELAYING TACTIC SINCE CONSUMERS WANTED NO CHANGE, QUESTION WAS NOT "TECHNICAL" BUT POLITICAL, AND COLLECTIVE WISDOM OF DELEGATES DEVELOPED OVER MORE THAN TWO YEARS OF DEBATE WAS SUFFICIENT FOR MAKING DECISION NOW IF THE POLITICAL LIMITED OFFICIAL USE

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WILL EXISTED. USREP RESPONDED THAT ON JANUARY 20 USDEL WOULD HAVE BENEFIT OF TECHNICAL ADVISERS AND AT THAT TIME WOULD BE PREPARED TO EXAMINE THE INDICATOR PRICE SYSTEM AND ANY ALTERNATIVES TO THE EXTENT EB DESIRED.

4. AS DEBATE DEVELOPED, WAS APPARENT THAT LATINS DID NOT REALLY EXPECT DECISION BUT WANTED TO SET STAGE

FOR ADOPTION OF EARLIER BRAZILIAN PROPOSAL FOR  
TEMPORARILY SETTING UP BROADER, "PARALLEL" SYSTEM  
BASED ON PAN AMERICAN COFFEE BUREAU PROPOSALS  
(EB 1327/74) AS A CHECK ON PRESENT ONE. PRESSURE  
CONTINUED FROM LATINS NOW FOR US TO MAKE IMMEDIATE  
DECISION ON "PARALLEL" SYSTEM. CANADA TO THE CONSTERNA-  
TION OF SOME CONSUMERS NOTED IT HAD SUGGESTED TRYING  
AN INFORMAL, PARALLEL SYSTEM SOME TIME AGO AND STILL  
FOUND IDEA ATTRACTIVE. USREP INTERVENED TO SUGGEST  
THAT SECRETARIAT MIGHT INVESTIGATE COSTS AND OTHER

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FEATURES OF SUGGESTED PARALLEL SYSTEM SO EB COULD HAVE  
SOMETHING CONCRETE TO SINK TEETH INTO AT NEXT MEETING.  
THIS WAS TURNING POINT IN DEBATE. AFRICAN GROUP, WHILE  
LOATHE TO OPPOSE LATINS, WAS NOT ENTHUSIASTIC ABOUT  
FIGHT, AND OAMCAF (N'DIA), WITH ASSISTANCE FROM CHAIR  
AND SECRETARIAT (LOUDON), HELPED TAKE STEAM OUT OF  
ARGUMENT BY QUESTIONING WHETHER EB ASSIGNED HIGHER

PRIORITY TO NEGOTIATING A NEW ICA OR TO RESOLVING THE  
INDICATOR PRICE PROBLEM.

5. OUTCOME OF DEBATE WAS THAT EB AGREED (A) SUB-GROUP  
ON PRICES WOULD LOOK INTO THE SYSTEM IN CONTEXT OF A  
NEW AGREEMENT, AND (B) STATISTIC GROUP SHOULD MEET  
BRIEFLY AGAIN ON MATTER JANUARY 27 (TO ALLOW FOR MORE  
INFORMAL INTERCHANGE WITH EXPERTS--FRG SUGGESTION),  
WITH A MEETING OF THE EB TO MAKE DECISIONS THE FOLLOWING  
DAY, JANUARY 28. IN MEANTIME, SECRETARIAT WAS  
INSTRUCTED TO DO FURTHER STAFF WORK ON OPERATION OF  
PRESENT SYSTEM BY PATON AND ON COST OF TRYING OUT A  
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PARALLEL SYSTEM.

6. A NUMBER OF FACTORS HAVE COME TO LIGHT IN THE  
LATEST SERIES OF MEETINGS ON INDICATOR PRICES WHICH  
SHOULD BE BORNE IN MIND IN PREPARING FOR THE JANUARY  
27-28 MEETINGS ON THIS ISSUE, INCLUDING:  
(A) WHILE CONSUMERS APPEAR UNANIMOUS IN NOT  
WANTING TO RUSH INTO CHANGING THE PRESENT SYSTEM  
WITHOUT MAKING IT BETTER, THE US IS THE ONLY ONE  
EXPOSED ON ISSUE SINCE WE HAVE CONSISTENTLY HELD THAT  
ONLY FACTOR PREVENTING OUR PARTICIPATION IN EXAMINATION  
IS OUR INABILITY TO SECURE COMPETENT TECHNICAL ADVISERS  
BEFORE LATE JANUARY. EVEN FRG--WHOSE MOTIVES IN  
DESIRING DELAYS ARE LESS THAN CLEAR--HAS PINNED ITS  
POSITION SQUARELY ON US. FRG DEL MAINTAINS IT HAS  
"QUESTIONS IT WANTS TO PUT TO US DEL WITH PRESENCE OF  
EXPERTS." LATINS SEEM TO THINK THEY WILL CALL OUR  
BLUFF IN NEXT MEETINGS AND US DEL HAS ASSURED THEM IT  
IS NOT GOING TO BACK AWAY.  
(B) US DEL SHOULD BE PREPARED TO MAKE DECISIONS.  
PARTICULARLY, WE SHOULD BE ABLE TO DISCUSS FULLY THE  
PAN AMERICAN COFFEE BUREAU PAPER AND TO TAKE A POSITION  
ON BRAZILIAN PROPOSAL FOR SETTING UP A PARALLEL  
SYSTEM OF INDICATOR PRICES LARGELY BASED ON THIS PAPER.  
(C) ADVISERS SHOULD BE PREPARED FOR THOROUGH-GOING  
TECHNICAL EXAMINATION. DECISIONS TAKEN BY US DEL WILL  
BE "POLITICAL" AND NOT TECHNICAL (SALVADOR CHARGED  
WE WERE TRYING TO PUSH DECISION-MAKING OFF TO TECHNICIANS  
WHICH OF COURSE WE DENIED), BUT US GOOD FAITH IS AT  
STAKE IN LOOKING INTO MATTER IN DEPTH.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COFFEE, STANDARDS, PRICE CONTROLS, MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 10 JAN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975LONDON00385  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750010-0472  
**From:** LONDON  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750162/aaaaccqh.tel  
**Line Count:** 219  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 LONDON 235, 75 LONDON 16556  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 19 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <19 JUN 2003 by WorrelSW>; APPROVED <20 OCT 2003 by MorefiRH>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COFFEE: MEETING OF ICO EXECUTIVE BOARD TO CONSIDER INDICATOR PRICE SYSTEM  
**TAGS:** OCON, ETRD, ICO  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006